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July 30, 2004

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

RECEIVED  
AUG 3 2004  
PUBLIC SERVICE  
COMMISSION

Re: Case No. 2003-00304

Dear Ms. O'Donnell:

In the Commission's June 29, 2004 order in this case, BellSouth was directed to file an analysis of competition in its service area. The analysis is to be filed annually on August 1<sup>st</sup>. The August 1, 2004 analysis of competition in the BellSouth Kentucky service area is attached.

The time interval covered in the analysis of competition provided in Appendix C of the audit report included semi-annual estimates for 2002 and monthly estimates for 2003. The updated analysis that is filed today extends the monthly analysis through June 2004. Important information revealed in this analysis includes the following:

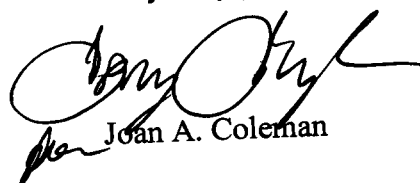
1. Since the end of 2003, the total wireline market in BellSouth's Kentucky serving area has decreased by over 24,000 lines. During this time, CLEC lines have continued to grow while BellSouth's lines have decreased. This net 24,000 line decrease is likely due to customer migration to other technologies (wireless, cable, VoIP, etc) and economic disconnects.
2. Comparing the level of competition at the end of June 2004 with that at the end of December 2003 for the BellSouth Kentucky serving area, the CLEC share of the wireline telecommunications market has grown from 20% to 23% in the residence market, from 25% to 27% in the business market, and from 21% to 25% in the overall wireline market.

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Clearly, competition continues to thrive and grow in the BellSouth's Kentucky wireline market.

If there are any questions concerning this analysis, please call Jim Tipton at 502-582-8925.

Very truly yours,

A handwritten signature in black ink, appearing to read "Joan A. Coleman", with a stylized flourish extending from the end of the signature.

Joan A. Coleman

|            |        |
|------------|--------|
| State      | KY     |
| Study Area | BST-KY |

| Item 3a                 | 12/31/2001 | 6/30/2002 | 12/31/2002 | 12/31/2003 | 4/30/2003 | 3/31/2003 | 4/30/2003 | 5/31/2003 | 6/30/2003 | 7/31/2003 | 8/31/2003 | 9/30/2003 | 10/31/2003 | 11/30/2003 | 12/31/2003 | 1/31/2004 | 2/28/2004 | 3/31/2004 | 4/30/2004 | 5/31/2004 | 6/30/2004 |
|-------------------------|------------|-----------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Description</b>      |            |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| <b>Class of Service</b> |            |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| CLEC Owned (est.) - Res | 5,532      | 14,751    | 54,598     | 58,830     | 64,584    | 70,066    | 76,486    | 82,810    | 88,825    | 94,415    | 98,139    | 102,848   | 110,308    | 115,969    | 118,535    | 124,273   | 135,455   | 194,356   | 666,727   | 197,918   |           |
| CLEC Wholesale - Res    | 25,934     | 30,392    | 90,396     | 98,276     | 107,034   | 117,820   | 125,825   | 132,543   | 138,033   | 142,089   | 146,089   | 151,814   | 160,984    | 167,759    | 171,430    | 178,482   | 189,600   | 672,682   | 666,727   | 660,273   |           |
| CLEC Total Res          | 31,466     | 45,143    | 144,994    | 157,106    | 171,620   | 187,886   | 202,311   | 210,359   | 227,654   | 240,504   | 244,228   | 253,634   | 271,292    | 283,728    | 290,000    | 302,755   | 325,055   | 667,042   | 1,333,414 | 1,258,191 |           |
| CLEC Owned (est.) - Bus | 383,601    | 841,622   | 675,937    | 740,215    | 785,427   | 777,047   | 766,978   | 756,063   | 746,080   | 736,760   | 729,487   | 722,001   | 711,512    | 703,501    | 696,430    | 687,131   | 680,600   | 672,682   | 666,727   | 660,273   |           |
| CLEC Wholesale - Bus    | 26,245     | 31,124    | 49,511     | 50,712     | 52,061    | 52,748    | 53,655    | 54,562    | 55,469    | 56,376    | 57,283    | 58,190    | 59,097     | 60,004     | 60,911     | 61,818    | 62,725    | 63,632    | 64,539    | 65,446    |           |
| CLEC Total Bus          | 409,846    | 872,746   | 725,448    | 790,927    | 837,488   | 829,795   | 820,633   | 810,615   | 801,549   | 793,136   | 786,769   | 779,191   | 768,609    | 763,515    | 757,341    | 750,949   | 743,325   | 736,314   | 731,266   | 725,719   |           |
| CLEC Owned (est.) - Res | 34,218     | 37,747    | 38,336     | 38,546     | 38,616    | 38,713    | 38,826    | 38,941    | 39,056    | 39,171    | 39,286    | 39,401    | 39,516     | 39,631     | 39,746     | 39,861    | 39,976    | 40,091    | 40,206    | 40,321    |           |
| CLEC Wholesale - Res    | 36,653     | 68,871    | 88,658     | 93,350     | 95,335    | 96,880    | 98,425    | 99,970    | 101,515   | 103,060   | 104,605   | 106,150   | 107,695    | 109,240    | 110,785    | 112,330   | 113,875   | 115,420   | 116,965   | 118,510   |           |
| CLEC Total Res          | 70,871     | 106,618   | 126,994    | 131,896    | 133,951   | 135,593   | 137,366   | 138,831   | 140,571   | 142,307   | 143,986   | 145,666   | 147,346    | 149,026    | 150,706    | 152,386   | 154,066   | 155,746   | 157,426   | 159,106   |           |
| CLEC Owned (est.) - Bus | 348,700    | 339,150   | 375,840    | 334,421    | 333,703   | 333,085   | 332,467   | 331,849   | 331,231   | 330,613   | 330,000   | 329,387   | 328,774    | 328,161    | 327,548    | 326,935   | 326,322   | 325,709   | 325,096   | 324,483   |           |
| CLEC Wholesale - Bus    | 891,097    | 868,297   | 879,682    | 880,611    | 884,703   | 888,795   | 892,887   | 896,979   | 901,071   | 905,163   | 909,255   | 913,347   | 917,439    | 921,531    | 925,623    | 929,715   | 933,807   | 937,899   | 941,991   | 946,083   |           |
| CLEC Total Bus          | 1,239,797  | 1,207,447 | 1,255,522  | 1,215,032  | 1,218,408 | 1,218,884 | 1,225,256 | 1,228,722 | 1,236,246 | 1,237,012 | 1,238,282 | 1,239,552 | 1,240,822  | 1,242,092  | 1,243,362  | 1,244,632 | 1,245,902 | 1,247,172 | 1,248,442 | 1,249,712 |           |
| CLEC Owned (est.) - Res | 409,563    | 428,221   | 423,127    | 423,092    | 423,057   | 423,022   | 422,987   | 422,952   | 422,917   | 422,882   | 422,847   | 422,812   | 422,777    | 422,742    | 422,707    | 422,672   | 422,637   | 422,602   | 422,567   | 422,532   |           |
| CLEC Wholesale - Res    | 409,563    | 428,221   | 423,127    | 423,092    | 423,057   | 423,022   | 422,987   | 422,952   | 422,917   | 422,882   | 422,847   | 422,812   | 422,777    | 422,742    | 422,707    | 422,672   | 422,637   | 422,602   | 422,567   | 422,532   |           |
| CLEC Total Res          | 8          |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| <b>Class of Service</b> |            |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| CLEC Owned (est.) - Res | 5,552      | 14,751    | 54,598     | 58,830     | 64,584    | 70,066    | 76,486    | 82,810    | 88,825    | 94,415    | 98,139    | 102,848   | 110,308    | 115,969    | 118,535    | 124,273   | 135,459   | 194,356   | 666,727   | 197,918   |           |
| CLEC Wholesale - Res    | 25,934     | 30,392    | 90,396     | 98,276     | 107,034   | 117,820   | 125,826   | 132,549   | 138,033   | 142,089   | 146,091   | 151,814   | 160,994    | 167,759    | 171,435    | 178,482   | 186,831   | 194,356   | 196,461   | 197,918   |           |
| CLEC Total Res          | 31,486     | 45,175    | 144,994    | 157,108    | 171,620   | 187,892   | 202,316   | 210,364   | 227,671   | 240,524   | 244,240   | 253,648   | 271,302    | 283,784    | 290,010    | 302,790   | 325,090   | 667,712   | 1,334,379 | 1,259,109 |           |
| CLEC Owned (est.) - Bus | 383,616    | 841,637   | 675,948    | 740,226    | 785,438   | 777,058   | 766,989   | 756,074   | 746,091   | 736,771   | 729,498   | 722,012   | 711,523    | 703,512    | 696,441    | 687,142   | 680,611   | 672,693   | 666,738   | 660,283   |           |
| CLEC Wholesale - Bus    | 26,245     | 31,124    | 49,511     | 50,712     | 52,061    | 52,748    | 53,655    | 54,562    | 55,469    | 56,376    | 57,283    | 58,190    | 59,097     | 60,004     | 60,911     | 61,818    | 62,725    | 63,639    | 64,549    | 65,459    |           |
| CLEC Total Bus          | 409,861    | 872,761   | 725,459    | 790,938    | 837,499   | 829,813   | 820,629   | 810,633   | 801,560   | 793,147   | 786,782   | 779,198   | 768,620    | 763,521    | 757,351    | 750,960   | 743,336   | 736,342   | 731,292   | 725,742   |           |
| CLEC Owned (est.) - Res | 34,218     | 37,747    | 38,336     | 38,546     | 38,616    | 38,713    | 38,826    | 38,941    | 39,056    | 39,171    | 39,286    | 39,401    | 39,516     | 39,631     | 39,746     | 39,861    | 39,976    | 40,091    | 40,206    | 40,321    |           |
| CLEC Wholesale - Res    | 36,653     | 68,871    | 88,658     | 93,350     | 95,335    | 96,880    | 98,425    | 99,970    | 101,515   | 103,060   | 104,605   | 106,150   | 107,695    | 109,240    | 110,785    | 112,330   | 113,875   | 115,420   | 116,965   | 118,510   |           |
| CLEC Total Res          | 70,871     | 106,618   | 126,994    | 131,896    | 133,951   | 135,593   | 137,366   | 138,831   | 140,571   | 142,307   | 143,986   | 145,666   | 147,346    | 149,026    | 150,706    | 152,386   | 154,066   | 155,746   | 157,426   | 159,106   |           |
| CLEC Owned (est.) - Bus | 348,700    | 339,150   | 375,840    | 334,421    | 333,703   | 333,085   | 332,467   | 331,849   | 331,231   | 330,613   | 330,000   | 329,387   | 328,774    | 328,161    | 327,548    | 326,935   | 326,322   | 325,709   | 325,096   | 324,483   |           |
| CLEC Wholesale - Bus    | 891,097    | 868,297   | 879,682    | 880,611    | 884,703   | 888,795   | 892,887   | 896,979   | 901,071   | 905,163   | 909,255   | 913,347   | 917,439    | 921,531    | 925,623    | 929,715   | 933,807   | 937,899   | 941,991   | 946,083   |           |
| CLEC Total Bus          | 1,239,797  | 1,207,447 | 1,255,522  | 1,215,032  | 1,218,408 | 1,218,884 | 1,225,256 | 1,228,722 | 1,236,246 | 1,237,012 | 1,238,282 | 1,239,552 | 1,240,822  | 1,242,092  | 1,243,362  | 1,244,632 | 1,245,902 | 1,247,172 | 1,248,442 | 1,249,712 |           |
| CLEC Owned (est.) - Res | 409,563    | 428,221   | 423,127    | 423,092    | 423,057   | 423,022   | 422,987   | 422,952   | 422,917   | 422,882   | 422,847   | 422,812   | 422,777    | 422,742    | 422,707    | 422,672   | 422,637   | 422,602   | 422,567   | 422,532   |           |
| CLEC Wholesale - Res    | 409,563    | 428,221   | 423,127    | 423,092    | 423,057   | 423,022   | 422,987   | 422,952   | 422,917   | 422,882   | 422,847   | 422,812   | 422,777    | 422,742    | 422,707    | 422,672   | 422,637   | 422,602   | 422,567   | 422,532   |           |
| CLEC Total Res          | 8          |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| <b>Class of Service</b> |            |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| CLEC Owned (est.) - Res | 5,552      | 14,751    | 54,598     | 58,830     | 64,584    | 70,066    | 76,486    | 82,810    | 88,825    | 94,415    | 98,139    | 102,848   | 110,308    | 115,969    | 118,535    | 124,273   | 135,473   | 194,356   | 666,727   | 197,918   |           |
| CLEC Wholesale - Res    | 25,934     | 30,392    | 90,396     | 98,276     | 107,034   | 117,820   | 125,826   | 132,549   | 138,033   | 142,089   | 146,091   | 151,814   | 160,994    | 167,759    | 171,435    | 178,482   | 186,831   | 194,356   | 196,461   | 197,918   |           |
| CLEC Total Res          | 31,486     | 45,175    | 144,994    | 157,108    | 171,620   | 187,892   | 202,316   | 210,364   | 227,671   | 240,524   | 244,240   | 253,648   | 271,302    | 283,784    | 290,010    | 302,790   | 325,090   | 667,712   | 1,334,379 | 1,259,109 |           |
| CLEC Owned (est.) - Bus | 383,616    | 841,637   | 675,948    | 740,226    | 785,438   | 777,058   | 766,989   | 756,074   | 746,091   | 736,771   | 729,498   | 722,012   | 711,523    | 703,512    | 696,441    | 687,142   | 680,611   | 672,693   | 666,738   | 660,283   |           |
| CLEC Wholesale - Bus    | 26,245     | 31,124    | 49,511     | 50,712     | 52,061    | 52,748    | 53,655    | 54,562    | 55,469    | 56,376    | 57,283    | 58,190    | 59,097     | 60,004     | 60,911     | 61,818    | 62,725    | 63,639    | 64,549    | 65,459    |           |
| CLEC Total Bus          | 409,861    | 872,761   | 725,459    | 790,938    | 837,499   | 829,813   | 820,629   | 810,633   | 801,560   | 793,147   | 786,782   | 779,198   | 768,620    | 763,521    | 757,351    | 750,960   | 743,336   | 736,342   | 731,292   | 725,742   |           |
| CLEC Owned (est.) - Res | 34,218     | 37,747    | 38,336     | 38,546     | 38,616    | 38,713    | 38,826    | 38,941    | 39,056    | 39,171    | 39,286    | 39,401    | 39,516     | 39,631     | 39,746     | 39,861    | 39,976    | 40,091    | 40,206    | 40,321    |           |
| CLEC Wholesale - Res    | 36,653     | 68,871    | 88,658     | 93,350     | 95,335    | 96,880    | 98,425    | 99,970    | 101,515   | 103,060   | 104,605   | 106,150   | 107,695    | 109,240    | 110,785    | 112,330   | 113,875   | 115,420   | 116,965   | 118,510   |           |
| CLEC Total Res          | 70,871     | 106,618   | 126,994    | 131,896    | 133,951   | 135,593   | 137,366   | 138,831   | 140,571   | 142,307   | 143,986   | 145,666   | 147,346    | 149,026    | 150,706    | 152,386   | 154,066   | 155,746   | 157,426   | 159,106   |           |
| CLEC Owned (est.) - Bus | 348,700    | 339,150   | 375,840    | 334,421    | 333,703   | 333,085   | 332,467   | 331,849   | 331,231   | 330,613   | 330,000   | 329,387   | 328,774    | 328,161    | 327,548    | 326,935   | 326,322   | 325,709   | 325,096   | 324,483   |           |
| CLEC Wholesale - Bus    | 891,097    | 868,297   | 879,682    | 880,611    | 884,703   | 888,795   | 892,887   | 896,979   | 901,071   | 905,163   | 909,255   | 913,347   | 917,439    | 921,531    | 925,623    | 929,715   | 933,807   | 937,899   | 941,991   | 946,083   |           |
| CLEC Total Bus          | 1,239,797  | 1,207,447 | 1,255,522  | 1,215,032  | 1,218,408 | 1,218,884 | 1,225,256 | 1,228,722 | 1,236,246 | 1,237,012 | 1,238,282 | 1,239,552 | 1,240,822  | 1,242,092  | 1,243,362  | 1,244,632 | 1,245,902 | 1,247,172 | 1,248,442 | 1,249,712 |           |
| CLEC Owned (est.) - Res | 409,563    | 428,221   | 423,127    | 423,092    | 423,057   | 423,022   | 422,987   | 422,952   | 422,917   | 422,882   | 422,847   | 422,812   | 422,777    | 422,742    | 422,707    | 422,672   | 422,637   | 422,602   | 422,567   | 422,532   |           |
| CLEC Wholesale - Res    | 409,563    | 428,221   | 423,127    | 423,092    | 423,057   | 423,022   | 422,987   | 422,952   | 422,917   | 422,882   | 422,847   | 422,812   | 422,777    | 422,742    | 422,707    | 422,672   | 422,637   | 422,602   | 422,567   | 422,532   |           |
| CLEC Total Res          | 8          |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| <b>Class of Service</b> |            |           |            |            |           |           |           |           |           |           |           |           |            |            |            |           |           |           |           |           |           |
| CLEC Owned (est.) - Res | 5,552      | 14,751    | 54,598     | 58,830     | 64,584    | 70,066    | 76,486    | 82,810    | 88,825    | 94,415    | 98,139    | 102,848   | 110,308    | 115,969    | 118,535    | 124,273   | 135,473   | 194,356   | 666,727   | 197,918   |           |
| CLEC Wholesale - Res    | 25,934     | 30,392    | 90,396     | 98,276     | 107,034   | 117,820   | 125,826   | 132,549   | 138,033   | 142,089   | 146,091   | 151,814   | 160,994    | 167,759    | 171,435    | 178,482   | 186,831   | 194,356   | 196,461   | 197,918   |           |
| CLEC Total Res          | 31,486     | 45,175    | 144,994    | 157,108    | 171,620   | 187,892   | 202,316   | 210,364   | 227,671   | 240,524   | 244,240   | 253,648   | 271,302    | 283,784    | 290,010    | 302,790   | 325,090   | 667,712   | 1,334,379 | 1,259,109 |           |
| CLEC Owned (est.) - Bus | 383,616    | 841,637   | 675,948    | 740,226    | 785,438   | 777,058   | 766,989   | 756,074   | 746,091   | 736,771   | 729,498   | 722,012   | 711,523    | 703,512    | 696,441    | 687,1     |           |           |           |           |           |